

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-08 FEAE-00 FPC-01 H-01 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02

SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 /099 W

-----112033Z 125214 /50

R 111350Z MAR 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 0484

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ENRG, EGEN, BR

SUBJECT: GOB POSTPONES INDEFINITELY GASOLINE COUPON PROGRAM

REF: BRASILIA 714

1. SUMMARY: PRESIDENT GEISEL ANNOUNCED IN THE AFTERNOON OF MARCH 9 THAT THE GOB'S SCHEME FOR REQUIRING A TWO CRUZEIRO "REFUNDABLE DEPOSIT" PER LITER OF GASOLINE WAS BEING "POSTPONED INDEFINITELY." GEISEL EXPLAINED THAT THIS DECISION WAS TAKEN DUE TO BRAZIL'S REDUCED TRADE BALANCE DEFICIT AND THE REDUCTION IN THE GROWTH OF GASOLINE USAGE ACHIEVED THROUGH THE GOB'S CONSERVATION PROGRAM (REF.). PUBLIC OPPOSITION TO THE DEPOSIT SCHEME ALSO CONTRIBUTED TO GEISEL'S DECISION. GEISEL RESERVED THE OPTION OF IMPLEMENTING THE "REFUNDABLE DEPOSIT" PLAN AT SOME FUTURE TIME SHOULD CONDITIONS REQUIRE THIS. END SUMMARY.

2. IN AN UNEXPECTED POLICY MOVE, GOB PRESIDENT GEISEL ANNOUNCED THE "INDEFINITE POSTPONEMENT" OF THE CONTROVERSIAL PLAN TO REQUIRE THE PURCHASE OF A TWO CRUZEIRO

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"REFUNDABLE DEPOSIT" COUPON FOR EACH LITER OF GASOLINE PURCHASED. THE MOVE CAME AS A SURPRISE AS THE GOB HAD ALREADY SPENT TEN MILLION CRUZEIROS TO PRINT UP THE COUPONS AND IT WAS GENERALLY ASSUMED THAT THE COUPON PROGRAM WOULD TAKE EFFECT BEFORE THE END OF MARCH. GEISEL SAID THAT THE GOB TOOK THIS DECISION IN THE LAST WEEK AS THE TRADE FIGURES FOR THE FIRST TWO MONTHS OF 1977 BECAME AVAILABLE AND SHOWED A SIGNIFICANT

DECREASE IN BRAZIL'S TRADE ACCOUNT DEFICIT. IN ADDITION, GEISEL SAID THAT THE COOPERATION OF THE BRAZILIAN PUBLIC IN "RATIONALIZING" THE USE OF GASOLINE ALSO PLAYED AN IMPORTANT ROLE IN THE DECISION.

3. ALTHOUGH NOT MENTIONED BY GEISEL OR OTHER GOB EXECUTIVE BRANCH SOURCES, PUBLIC OPPOSITION TO THE "REFUNDABLE DEPOSIT" SCHEME PROBABLY PLAYED AN IMPORTANT ROLE IN THE GOB DECISION. CORREIO BRASILIENSE (MARCH 10) REPORTED THAT THE GOB UNDERTOOK A PUBLIC OPINION POLL WHICH SHOWED "PREOCCUPYINGLY LOW" LEVELS OF SUPPORT FOR THE GOVERNMENT AND FOR PRESIDENT GEISEL, AND THE "REFUNDABLE DEPOSIT" ISSUE WOULD BE DIFFICULT FOR ARENA TO OVERCOME IN THE 1978 ELECTIONS.

4. GEISEL DID, HOWEVER, RETAIN THE OPTION OF IMPOSING THE COUPON SYSTEM AT SOME LATER DATE, IF CONDITIONS REQUIRED. HE REJECTED THE IDEA OF GASOLINE RATIONING AS A SOLUTION BECAUSE OF THE MANY PROBLEMS INVOLVED IN IT. THE DEPOSITION ON FUEL OIL REMAINS IN EFFECT.

5. INITIAL REACTION TO GEISEL'S DECISION WAS, AS MIGHT BE EXPECTED, EXPRESSIONS OF SUPPORT FROM THE GOVERNMENT AND RELIEF FROM THE PUBLIC. FINANCE MINISTER SIMONSEN, A SUPPORTER OF THE "REFUNDABLE DEPOSIT" SCHEME (THE COUPON BOOKS TO BE USED FOR IT WERE BAPTIZED "SOMONETAS") SUPPORTED GEISEL AND FURTHERMORE SAID THAT THERE WERE NO PLANS TO RAISE THE PRICE OF GASOLINE. SIMONSEN ALSO STATED THAT THIS DECISION WAS NOT TAKEN DUE TO PRESSURES PUT ON THE GOB BY BRAZIL'S LIMITED OFFICIAL USE

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SUFFERING AUTOMOBILE INDUSTRY, ALTHOUGH THE AUTOMOBILE MANUFACTURERS ARE PLEASED. JORNAL DE BRASILIA (MARCH 10) REPORTS THERE IS EVEN SOME TALK AMONG MANUFACTURERS OF RE-HIRING SOME OR ALL OF THE AUTO WORKERS RECENTLY LAID OFF. MINES AND ENERGY MINISTER UEKI FEELS VINDICATED SINCE HE WAS AGAINST THE IDEA OF THE "REFUNDABLE DEPOSIT" FROM THE BEGINNING.
CRIMMINS

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Message Attributes

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Control Number: n/a
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Sent Date: 11-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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